PUBLIC SERVICE MANAGEMENT PENSION PLAN

ANNUAL REPORT

for the fiscal year ended March 31, 1991

Alberta
TREASURY

92-07117/

Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6

The Speaker of the Assembly

Sir:

Pursuant to section 4 of the Public Service Management Pension Plan Act, being Chapter P-34.1 of the 1984 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Public Service Management Pension Plan for the fiscal year ended March 31, 1991.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

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Introduction

The Public Service Management Pension Plan was established effective July 1, 1972, by the Public Service Management Pension Act to provide a contributory pension scheme for Alberta government employees occupying positions designated as management. Formerly, such employees were participants in the Public Service Pension Plan. Initial participation in the Public Service Management Pension Plan was restricted to departmental employees of the Alberta government. Participation was later extended to employees of government boards, agencies, commissions, and crown corporations.

The Public Service Management Pension Act was repealed on November 1, 1985, and replaced by the Public Service Management Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Public Service Management Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Public Service Management Pension Plan is a contributory defined benefit plan under which employee contributions are 5 percent of salary and employer contributions 9 percent. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Public Service Management Pension Plan.

Members may retire at any time after age 55 without reduction in the amount of pension if five years of pensionable service have been accumulated. Normal pensionable age is 65 years, however, there is no mandatory retirement age. Pension benefits are based on 2 percent of the highest average pensionable earnings for five consecutive years times the number of years of pensionable service. If the member has a spouse and has been married to, or lived with, that spouse for at least five years, unless a waiver is signed by the spouse, the member must choose a normal pension. The normal form of a pension is for the life of the member with a 75 percent survivor benefit. Single members may elect a life pension, choosing a five, 10, 15, or 20 year guarantee period. They may also elect a joint pension based on their life and that of a nominee.

The plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases, the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Public Service Management Pension Plan is administered by the Payroll and Pensions Division of Alberta Treasury.

During the year under review, the division continued on an active course of automation, computer systems upgrading and procedural improvement. The administration of retirement benefits received particular attention with the redevelopment of the retirement benefit calculations. In addition, pension file tracking was enhanced, better payment controls were implemented and system response time was improved.

The fiscal year 1990–91, saw the trial implementation of a system to provide for direct deposit of contribution remittances. Benefits from this program will allow employers to transfer their monthly remittances directly to Payroll and Pensions through the banking system. An initial group of employers participated in a pilot program to assist Payroll and Pensions in refining the process. Results to date have been very favourable, and it is hoped this feature can be offered to all employers in the next year.

Review and planning for federal and provincial pension reform involved all sections of the Pension Administration.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1990, estimated the accrued liability of the Public Service Management Pension Plan to be $1,249,000,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 15.1 percent.

Participation

At March 31, 1991, there were 13 employers participating in the Public Service Management Pension Plan, 5,173 active contributors, and 295 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the participating employers and the number of participants is provided in the section on contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Public Service Management Pension Plan		Transfers From Public Service Management Pension Plan	
	Number	Amount $	Number	Amount $
Public Service Pension Plan	316	7,999,543	11	117,499
Local Authorities Pension Plan	10	259,548	13	428,092
Universities Academic Pension Plan	–	–	3	136,065
	326	8,259,091	27	681,656

Reciprocal Agreements

At March 31, 1991, the Public Service Management Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

Alberta Teachers' Retirement Fund
Local Authorities Pension Plan
Public Service Pension Plan
Universities Academic Pension Plan

Outside Alberta

Canada Mortgage and Housing Corporation
Council of Maritime Premiers
Dalhousie University
Federal Business Development Bank
Government of British Columbia
Government of Canada
Government of Newfoundland and Labrador
Government of Ontario
Health Sciences Centre of Manitoba
Manitoba Civil Service Superannuation Board
Ontario Colleges of Applied Arts and Technology
Ontario Municipal Employees Retirement Board
Ontario Teachers' Superannuation Commission
Province of New Brunswick
Province of Prince Edward Island
Regina Civic Employees' Superannuation and Benefits Plan
Saskatchewan Crown Investments Corporation
Saskatchewan Health Care Association
Saskatchewan Municipal Employees' Superannuation Commission
Saskatchewan Power Corporation Superannuation Board
Saskatchewan Public Service Superannuation Board
Saskatchewan Teachers' Superannuation Commission
York University

Reciprocal Transfers

During the year ended March 31, 1991, the following number and value of reciprocal transfers were undertaken:

	Transfers To Public Service Management Pension Plan		Transfers From Public Service Management Pension Plan	
	Number	Amount $	Number	Amount $
Alberta Teachers' Retirement Fund	7	571,452	2	81,444
Government of British Columbia	2	268,740	4	182,580
Government of Canada	4	326,629	5	229,321
Government of Ontario	–	–	7	370,907
Other	4	248,518	9	363,081
	17	1,415,339	27	1,227,333

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1991:

	Participants At March 31, 1991	Contributions Received		
		Employee $	Employer $	Total $
Government of Alberta	4,281	12,572,614	20,539,665	33,112,279
Agricultural Development Corporation	26	17,797	22,080	39,877
Alberta Alcoholism and Drug Abuse Commission	42	135,174	236,910	372,084
Alberta Educational Communications Corporation	27	68,637	120,518	189,155
Alberta Liquor Control Board	100	248,293	485,261	733,554
Alberta Opportunity Company	29	99,402	182,363	281,765
Alberta Petroleum Marketing Commission	12	41,685	83,770	125,455
Energy Resources Conservation Board	5	11,973	21,550	33,523
Northern Alberta Institute of Technology	30	86,769	155,753	242,522
Southern Alberta Institute of Technology	18	68,501	123,904	192,405
Special Waste Management Corporation	7	21,382	38,487	59,869
Treasury Branches	511	1,226,844	2,304,763	3,531,607
Workers' Compensation Board	83	182,755	483,199	665,954
Others	2	3,712	6,681	10,393
Accounts held on Deposit	295	63	–	63
	5,468	14,785,601	24,804,904	39,590,505

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

In addition, 17 refunds of excess contributions totalling $18,859 were made to members and employers.

	Number	Amount $
Cash	37	341,163
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	86	979,214
	123	1,320,377

Death in Service Benefits

In the current year, seven members died while in service. Six of the surviving spouses were granted spousal pensions. A lump sum was paid to one individual beneficiary in respect of the other death in service.

Information and Counselling Services

Payroll and Pensions Division presented one information seminar to employees during the year. Three senior administrator workshops were held for employers to assist them in their pension administration responsibilities. Ten employees attended the information seminar, and the average attendance for each workshop was 30.

Alberta Treasury training facilities in Edmonton, as well as facilities in locations across the province, were used for these sessions.

Four *Pension News* information bulletins were prepared for employers to assist them in carrying out their responsibilities under the pension plan. The Alberta Retired Public Employees Society was again assisted by Payroll and Pensions with the publication of their quarterly newspaper *Postscript*.

Annual statements containing information on pensionable service, contributions, and prior service were produced and forwarded to employers for distribution to all active participants in the plan.

Pension Benefits

During the year ended March 31, 1991, pension benefits paid totalled $44,864,380; an increase of $3,614,821 (8.8 percent) over the previous year.

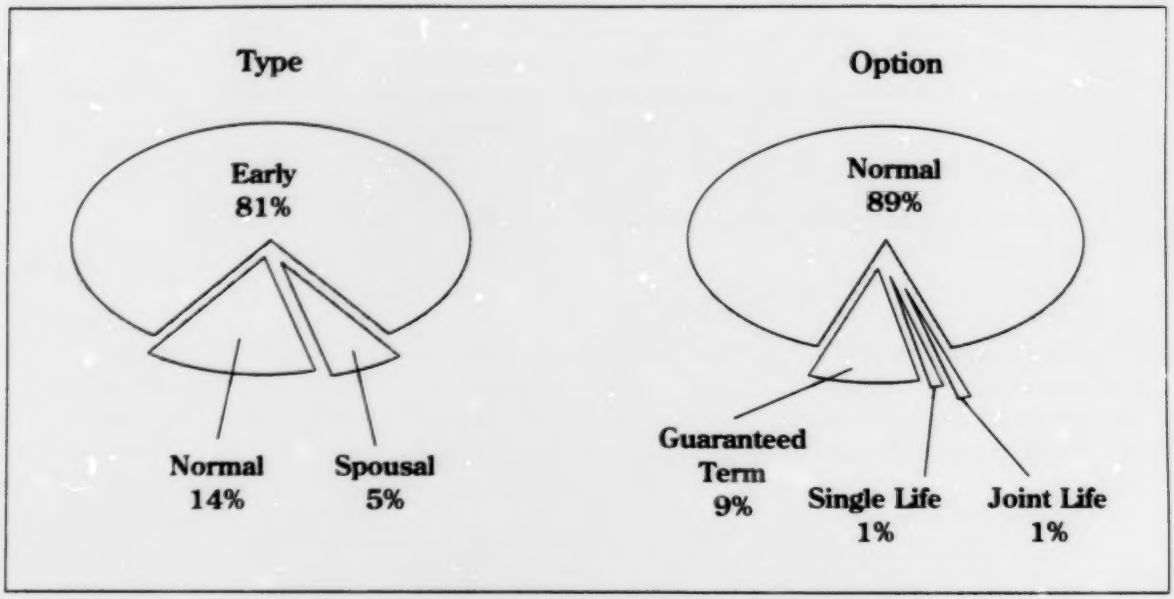
A total of 105 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1991		1990	
Normal Retirement	14		15	
Early Retirement	85	(60)	60	(44)
Partial or Total Disability	–		1	(1)
Death-in-Service (Spousal)	6	(3)	7	(2)
	105	(63)	83	(47)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 19 were in respect of deferred retirements from previous years (18 early and one normal).

The charts below illustrate the relative proportions of retirements during the year by type of pension and by option chosen:

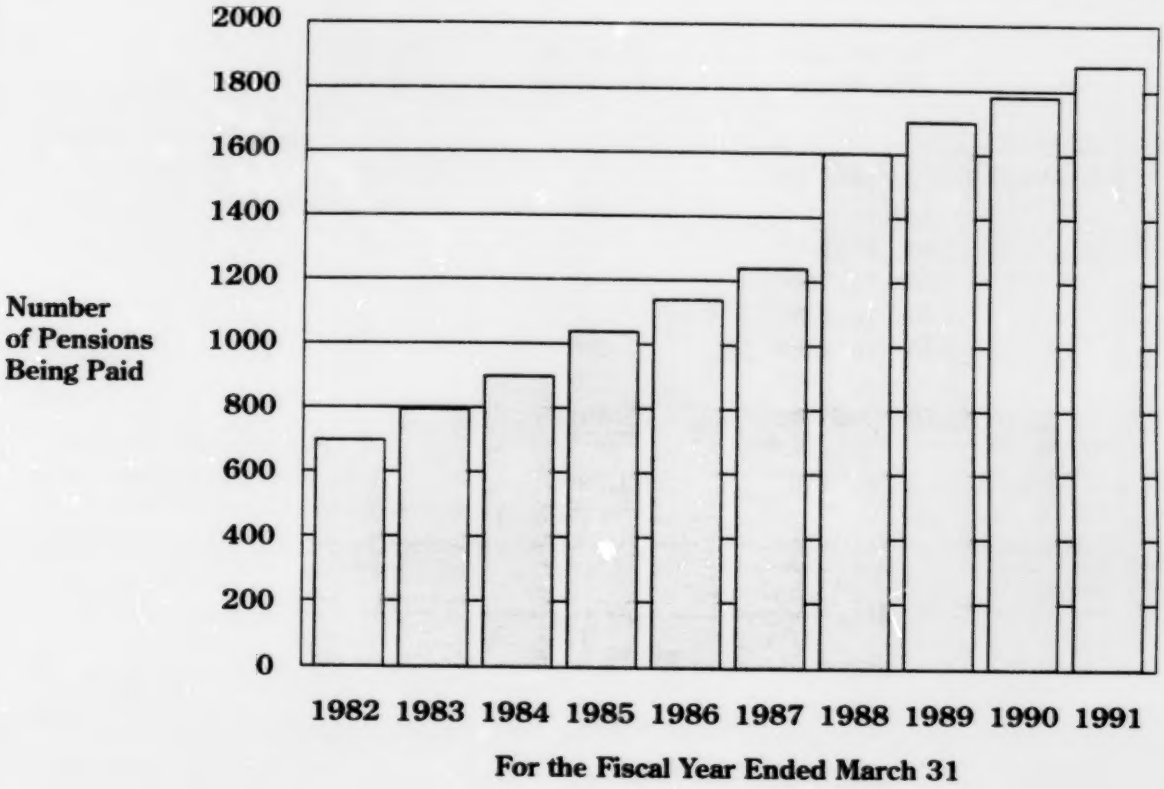


Pension options selected by members were as follows:

	At April 1, 1990	New Retire-ments	Benefi-ciaries	Deaths	At March 31, 1991
Member Pensions					
Normal (see note below)	1,597	94	20	(27)	1,684
Guaranteed 5 years	16				16
Guaranteed 10 years	21				21
Guaranteed 15 years	17	3			20
Guaranteed 20 years	23	1			24
Joint Life non-reduced	2				2
Joint Life reduced one third	–	1			1
Joint Life reduced one half	1				1
Spousal Pensions					
Single Life	26	1		(1)	26
Guaranteed 5 years	5				5
Guaranteed 10 years	8				8
Guaranteed 15 years	7				7
Guaranteed 20 years	56	5	1	(1)	61
Total Pensions	1,779	105	21	(29)	1,876
Pensions Co-ordinated with CPP and/or OAS	1,071	63		(9)	1,125

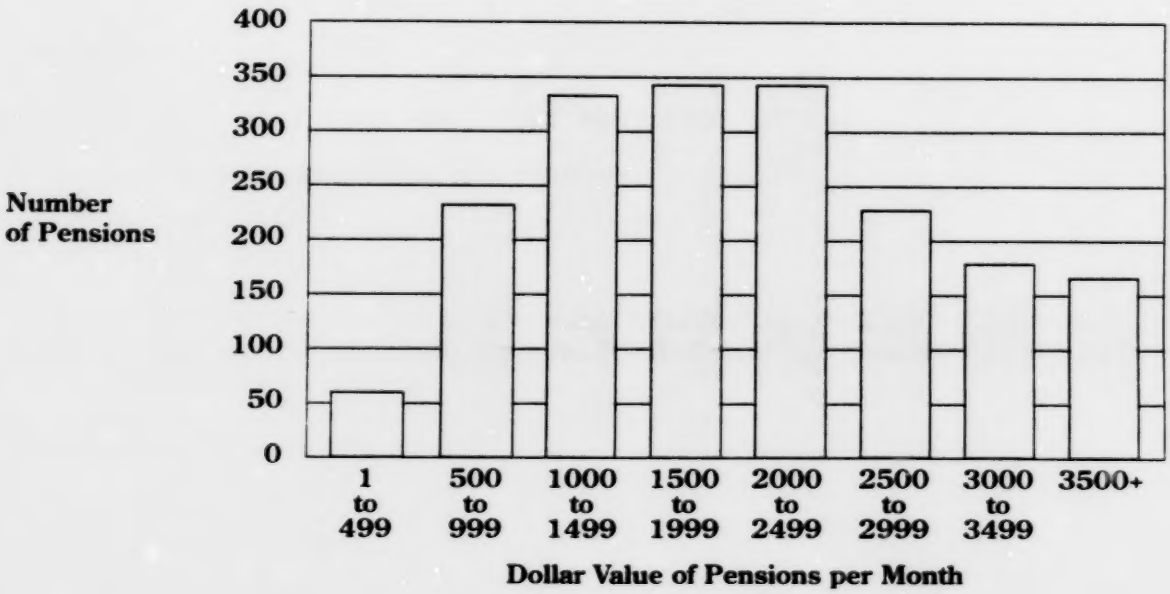
Note: The normal pension does not have a guaranteed term but, in the event of the retiree's death, pays the eligible spouse a spousal pension equalling 75 percent of the deceased retiree's pension for life.

The number of pensions being paid at the end of each of the last 10 years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1991, by dollar value of monthly pension:

Dollar Value Per Month $	Member Pensions	Spousal Pensions	Total
1 to 499	46	13	59
500 to 999	206	25	231
1,000 to 1,499	300	32	332
1,500 to 1,999	319	23	342
2,000 to 2,499	336	6	342
2,500 to 2,999	223	4	227
3,000 to 3,499	175	3	178
3,500 and over	164	1	165
	1,769	107	1,876



Effective January 1, 1991, a cost of living adjustment of 3.25 percent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the calendar year 1990.

Statement of Receipts and Payments
Year Ended March 31, 1991

	1991 $	1990 $
RECEIPTS		
Employee contributions	14,785,601	13,544,528
Employer contributions	24,804,904	22,860,913
Interest on overdue receivables	128	–
Total Receipts	39,590,633	36,405,441
PAYMENTS		
Benefits		
Pensions to retired members	43,152,475	39,732,111
Pensions to surviving spouses	1,669,974	1,493,855
Lump sums to beneficiaries of deceased pensioners	–	10,737
Lump sums to beneficiaries of deceased employees	41,931	12,856
	44,864,380	41,249,559
Withdrawals		
Refunds of contributions and interest to terminated members	1,320,377	1,020,935
Reciprocal agreement transfers	1,227,333	1,469,742
Refunds of excess contributions	18,859	14,882
	2,566,569	2,505,559
Total Payments	47,430,949	43,755,118
Excess of Payments over Receipts	7,840,316	7,349,677

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years. In addition, a graph is presented to illustrate a 10 year trend.

(000s)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Payments Over/(Under) Receipts
	Employee $	Employer $	Total $	Benefits $	Withdrawals $	Total $	$
1990/91	14,786	24,805	39,591	44,864	2,567	47,431	7,840
1989/90	13,544	22,861	36,405	41,250	2,505	43,755	7,350
1988/89	12,806	21,982	34,788	39,036	15,210	54,246	19,458
1987/88	12,693	20,808	33,501	34,583	1,629	36,212	2,711
1986/87	12,170	20,552	32,722	26,114	2,146	28,260	(4,462)